

SUBCOMMITTEE NO. 2

Agenda

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Monday, May 9, 2005
Upon Adjournment of Session
Room 112

Agenda (Part 2 of 2)

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Resources—Environmental Protection—Energy

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CALFED Program

Previous Subcommittee Direction. At the March 14 meeting of the Subcommittee, state funding for the CALFED program was deleted pending receipt of a workable finance plan that included realistic ten-year funding targets and sustainable funding from all beneficiaries, as well as the necessary administrative process to implement the finance plan. The Subcommittee indicated that this plan was to be submitted by April 1 so that the Subcommittee could have adequate time to consider the administration's proposal.

The matrix below outlines the funding deleted from the Governor's budget at the March 14 meeting of the Subcommittee. These totals do not include reimbursement funds that were also deleted from the budget.

Department (\$ in thousands)	General Fund	Other Bonds	Prop 50	Special Funds	Total
Conservation	\$0	\$0	\$3,234	\$96	\$3,330
Forestry and Fire Protection	0	0	154	0	154
Water Resources Control Board	0	6,998	1,317	144	8,459
Bay Conservation & Development Commission	88	0	0	0	88
Fish and Game	878	0	4,650	1,841	7,369
Water Resources	2,402	51,161	141,555	27,164	222,282
Bay-Delta Authority	8,522	0	6,077	5,074	19,673
Total	\$11,890	\$58,159	\$156,987	\$34,319	\$261,355

By the time of the April 4 meeting of the Subcommittee, a CALFED finance plan had not been submitted by the administration. At that time, the Subcommittee chair directed staff to begin to work on a "life support" budget for CALFED.

The proposal outlined in this document constitutes the staff recommendation to the Subcommittee on a "life support" budget for the CALFED program for the 2005-06 budget.

General Recommendations

Require a Zero-Based Budget for the CALFED Program. Staff finds that the CALFED program is at a critical juncture, and has not implemented the “beneficiary pays” principles outlined in the Record of Decision. Furthermore, a considerable number of concerns have been raised regarding the appropriate size of the program, overall. Staff finds that additional information justifying the entire CALFED program is needed to address some of these concerns. Additional justification could be provided by the administration if it chose to prepare a zero-based budget for the 2006-07 budget. A zero-based budget would require the administration to justify all expenditures that support the CALFED program, as opposed to current practice, which provides justification only for the changes being proposed to the budget. Staff finds that this information would enable the Legislature and the public to gain a better understanding of the overall size of the CALFED program and how the funds are being expended.

- **Staff Recommendation.** Staff recommends that the Subcommittee adopt supplemental report language to request that the administration to submit a zero-based budget for the CALFED program for the 2006-07 budget year.

Bond Funds in Base Budget Need Additional Explanation. Staff finds that bond funds are one-time in nature. However, the administration has included bond funds in its base budget. In some cases, local assistance funding has also been included in base budget expenditures. Staff finds that this practice has evolved over the past several years when some ongoing activities that were formerly supported by the General Fund were shifted to bond funds. Regardless, staff finds that this practice is not sustainable since bond funds are not an ongoing funding source. Staff finds that this budgeting practice is not transparent and is not sustainable.

- **Staff Recommendation.** Staff recommends that the Subcommittee adopt trailer bill language that would require the administration to provide the following: (1) additional information on the state operations bond funds included in the base budget, and (2) budget change proposals for all local assistance and capital outlay expenditures supported by bond funds. The information on the state operations, supported by bond funds, can be provided in a supplemental report or as an addendum to other bond-related budget change proposals being submitted.

Funding Summary

Senate CALFED Budget Summary. The following chart summarizes the staff recommendations for the Senate's alternative CALFED budget for 2005-06, absent resolution of a long-term financing plan. This budget was constructed along the following general guidelines:

- Expenditures of local assistance and grant funds are generally proposed to be delayed.
- Activities and projects that have not been started, to date, are proposed to be delayed.
- Activities that existed prior to the existence of the CALFED program are proposed to be retained.

Staff understands that the total summary numbers do not match precisely CALFED's budget cross cut nor what was deleted from the budget at the March 14 meeting of the Subcommittee. This is due to the way staff prepared the baseline budget presented in this document and the information provided by the administration regarding CALFED's base budget. Additional work will need to be done with the administration to reconcile these differences.

Department (\$ in thousands)	Governor's Budget	Senate's Budget	Difference
Conservation	\$3,330	\$330	-\$3,000
Forestry and Fire Protection	154	154	0
Fish and Game	3,375	3,209 *	-166
Bay Conservation & Development Commission	88	0	-88
Water Resources	166,009	72,692 *	-93,317
Bay-Delta Authority	38,913	33,839 *	-5,074
Water Resources Control Board	8,315	1,902	-6,413
Total	\$220,184	\$112,126 *	-\$108,058

*Pending resolution of open items in each category.

3480 Department of Conservation

Staff Recommendation. The chart below outlines the Governor's proposal to support the CALFED program at the Department of Conservation. Staff recommends that the Subcommittee take action to approve the checked items in the "Approve" column.

Activity (\$ in thousands)	Amount	Fund Source	Positions	Approve
BASE BUDGET				
Oversight and Coordination	\$96	Soil Conservation Fund	1.0	X
Watershed Program				
- Watershed Coordinator Grants	3,000	Prop 50	0.0	
- Watershed Program Technical Staff Support	234	Prop 50	2.0	X
Total Governor's Budget	\$3,330		3.0	
Total Senate Budget	\$330		3.0	

The recommended changes to the Governor's budget would result in a deferral of local assistance grants until a long-term financing plan for the CALFED program is enacted.

3540 Department of Forestry and Fire Protection

Staff Recommendation. The chart below outlines the Governor's proposal to support the CALFED program at the Department of Forestry and Fire Protection. Staff recommends that the Subcommittee take action to approve the checked items in the "Approve" column.

Activity (\$ in thousands)	Amount	Fund Source	Positions	Approve
BASE BUDGET				
Watershed Program				
- Watershed Program Technical Information Support: Watershed Assessment Manual and Fire and Resource Assessment Program Watershed Resources	\$154	Prop 50	0.0	X
Total Governor's Budget	\$154		0.0	
Total Senate Budget	\$154		0.0	

3600 Department of Fish and Game

Staff Recommendation. The chart below outlines the Governor's proposal to support the CALFED program at the Department of Fish and Game. Staff recommends that the Subcommittee take action to approve the checked items in the "Approve" column.

Several items are recommended to be left open because the department has not provided staff with sufficiently detailed information to determine what the funds are being used for. Staff recommends that the Subcommittee direct the department to work with staff to provide additional information on what is being funded in the department's base budget to support the CALFED program.

Activity (\$ in thousands)	Amount	Fund Source	Positions	Approve
BASE BUDGET				
Oversight and Coordination	\$166	General Fund	2.0	
Ecosystem Restoration Program				
- Supports regional plan development, field studies, review of permits and environmental documentation, restoration projects.	\$4,350	Prop 50	23.0	Open
- Supports regional plan development, field studies, review of permits and environmental documentation, restoration projects.	\$628	General Fund	5.5	Open
Conveyance Program				
- Supports studies to define fish movement in the delta, assist in the development of technologies in water transfer and fish screening, examine sources of predation.	\$84	General Fund	1.0	Open
Science Program				
- Endangered Species Act compliance for the Interagency Ecological Program and the analysis and dissemination of other scientific data.	\$300	Prop 50	5.0	Open
- Endangered Species Act compliance for the Interagency Ecological Program and the analysis and dissemination of other scientific data.	\$228	Striped Bass Stamp	1.0	Open
APRIL FINANCE LETTER				
Ecosystem Restoration Program				
- Technical correction to eliminate one-time funding inadvertently left in the Governor's proposed budget.	-\$2,381	Prop 50	0.0	X
Total Governor's Budget	\$3,375		37.5	
Total Senate Budget	\$3,209 *		35.5	

*Pending resolution of open items.

3820 San Francisco Bay Conservation and Development Commission

Staff Recommendation. The chart below outlines the Governor's proposal to support the CALFED program at the San Francisco Bay Conservation and Development Commission. Staff recommends that the Subcommittee take action to approve the checked items in the "Approve" column.

Activity (\$ in thousands)	Amount	Fund Source	Positions	Approve
BASE BUDGET				
Oversight and Coordination	\$88	General Fund	1.0	
Total Governor's Budget	\$88		1.0	
Total Senate Budget	\$0		0.0	

3860 Department of Water Resources

Staff Recommendation. The chart below outlines the Governor's proposal to support the CALFED program at the Department of Water Resources. Staff recommends that the Subcommittee take action to approve the checked items or amended in the "Approve" column.

The elimination of local assistance funds and other grant funds will result in a deferral of additional grants until a long-term financing plan for the CALFED program is enacted.

Several items are recommended to be left open because the department has not provided staff with sufficiently detailed information to determine what the funds are being used for. Staff recommends that the Subcommittee direct the department to work with staff to provide additional information on the issues marked "Open."

Some of the actions listed below result in the elimination of staff positions. It is not intended that this budget proposal have significant adverse impacts on ongoing staffing of the CALFED program. Therefore, staff recommends that the Subcommittee direct the department to report on the impacts of these actions and ways in which the Subcommittee could amend the proposal to reduce negative impacts of valuable CALFED program staff.

Staff recommends that the Subcommittee direct the department to provide staff with information regarding the local matching requirement for the Delta Levee Maintenance Subventions program.

Staff recommends that the Subcommittee direct the department to provide staff with information regarding its plans for implementing fish passage structures on the Calaveras River.

Activity (\$ in thousands)	Amount	Fund Source	Positions	Approve
BASE BUDGET				
Oversight and Coordination				
- Supports review of CALFED-related encroachment permit applications submitted to the Reclamation Board.	\$263	General Fund	2.0	X
Ecosystem Restoration Program				
- Supports federal-state cost-share agreement between DWR, USBR, USFWS, and DFG for fishery restoration activities.	\$1,575	Prop 204	1.0	Open
- Supports studies and grants to address water quality problems causing low dissolved oxygen in the Stockton Deep Water Ship Channel and mercury issues. (These funds are not local assistance.)	\$10,016	Prop 13		Open
- Supports Fish Passage Improvement Program to do fish passage assessment.	\$1,155	Prop 50	5.6	Open
- Supports Aquatic Restoration Planning and Implementation Program to develop fish passage opportunities in the Yolo Bypass.	\$1,011	Prop 50	3.0	
- Supports activities to manage the Four Pumps Agreement to mitigate fish loss at the State Water Project's Delta Pumping Plant.	\$4,385	State Water Project Funds	3.0	X

Activity (\$ in thousands)	Amount	Fund Source	Positions	Approve
Environmental Water Account				
- Environmental Water Account asset purchases.	\$17,548	Prop 50	0.0	Approve \$8.8 million
- Environmental Water Account purchases state support.	\$550	Prop 50	5.0	Approve \$225,000
Water Use Efficiency				
- Supports the California Irrigation Management Information System and provides technical assistance and outreach for water conservation activities.	\$1,135	General Fund	6.0	X
- Supports administration of Chapter 7 Water Use Efficiency grant program and Chapter 6 Desalination Grant Program.	\$1,113	Prop 50	5.0	X
- Supports technical assistance and review of agricultural water management plans, urban water management plans, and development of new water conservation technologies.	\$1,792	Energy Resources Program Account	10.0	Open
- Loans for agricultural water conservation and agricultural water use efficiency programs.	\$8,436	Prop 13	0.0	
Water Transfers				
- Supports maintenance of the CALFED Water Transfer Clearinghouse and On Tap water transfer database. Also supports coordination with CALFED EWA, Sacramento Valley Water Management Program, and CALFED ERP.	\$460	General Fund	1.5	
Watershed Management				
- Supports administration of Watershed grant program.	\$254	Prop 50	2.0	X

Activity (\$ in thousands)	Amount	Fund Source	Positions	Approve
Drinking Water Quality				
- Supports modeling ways of improving water quality in the Delta.	\$79	General Fund	0.0	X
- Supports data analysis and Delta computer modeling support for the CALFED drinking water quality program. The current focus is on improving water quality modeling of the upper San Joaquin River.	\$164	Prop 50	1.0	X
- Supports contracts with the Contra Costa Water District for the Old River-Byron Tract and Rock Slough-Veale Trace Water Quality improvement project and with USGS for the Low Intensity Chemical Dosing study project.	\$2,022	Prop 13	0.0	
Levees				
- Supports staff to implement the Delta Levees Special Projects Program, Delta Levee Maintenance Subvention Program, Emergency Response, Risk Management, and Subsidence Research.	\$1,960	Prop 50	13.0	X
- Supports staff to implement the Delta Levees Special Projects Program, Delta Levee Maintenance Subvention Program, Emergency Response, Risk Management, and Subsidence Research.	\$373	State Water Project Funds	2.0	X
- Supports local assistance for the Delta Levee Maintenance Subventions Program.	\$16,817	Prop 50	0.0	X
Storage Program				
- Supports funding for grants for the Local Groundwater Assistance grant program.	\$6,400	Prop 50	0.0	
Water Supply Reliability				
- Supports technical support in regional planning and acts as project managers on 22 MOU partnerships throughout the state.	\$1,868	Prop 50	14.0	Open

Activity (\$ in thousands)	Amount	Fund Source	Positions	Approve
Conveyance Program				
- Supports North Delta Flood Control and Ecosystem Restoration Project.	\$465	General Fund	3.0	Open
- Supports construction of four permanent operable barriers and removal of four temporary rock barriers in the South Delta. Supports evaluation of fish screen intake alternatives, Delta Cross Channel re-operations, and Through-Delta Facility alternatives.	\$14,413	State Water Project Funds	30.0	X
Science Program				
- Supports monitoring and special studies of the water quality and ecology of the San Francisco estuary. Also supports contracts with DFG, USFWS, USGS, and various universities and laboratories.	\$6,201	State Water Project Funds	14.0	X
BUDGET CHANGE PROPOSALS				
Water Use Efficiency Program				
- Funds Chapter 7 water use efficiency grants.	\$30,136	Prop 50	0.0	
- Supports science and monitoring of existing water use efficiency projects to support awarding future grants.	\$1,802	Prop 50	0.0	X
- Supports contracts that would provide technical assistance to local entities for special water use efficiency projects.	\$2,034	Prop 50	0.0	

Activity (\$ in thousands)	Amount	Fund Source	Positions	Approve
Storage Program				
- Supports evaluation of the feasibility of north of delta storage (Sites reservoir).	3,300	Prop 50	37.0	X
- Supports the federal government's efforts to evaluate the possibility of enlarging Shasta Lake.	100	Prop 50	0.0	
- Supports continued evaluation of the feasibility of in-Delta storage.	2,000	Prop 50	0.0	
- Supports a contract with Contra Costa Water District and state staff to evaluate the feasibility of enlarging Los Vaqueros reservoir.	3,200	Prop 50	0.0	Open
- Supports evaluation of additional upper San Joaquin River Storage.	1,000	Prop 50	0.0	X
- Supports evaluation of common assumptions to help in the evaluation of each of the storage proposals and to make comparisons among them.	1,000	Prop 50	0.0	X
Water Supply Reliability				
- Supports contracts for projects that increase water supply reliability through the planned, coordinated management and use of groundwater and surface water resources.	7,000	Prop 50	0.0	Open

Activity (\$ in thousands)	Amount	Fund Source	Positions	Approve
Conveyance Program				
- Supports the South Delta Hydrodynamic Investigation to continue the second phase of the investigations and to improve understanding of the hydrodynamics of the central and south Delta regions.	1,000	Prop 13	1.3	X
- Supports the evaluation of fish facility improvement alternatives (fish screens) related to the South Delta Fish Facility Improvements program.	800	Prop 13	4.6	
- Supports fish collection, handling, transportation, and release study as part of the Tracy Fish Test Facility Project.	712	Prop 13	3.7	
- Supports design and construction costs for the South Delta Improvements Program permanent operable barriers.	26,600	Prop 13	0.0	
Watershed Program				
- Supports staff and contracts to provide technical assistance and coordination of the state's Watershed program.	857	Prop 50	5.0	
APRIL FINANCE LETTER				
Conveyance Program				
- Supports the development of the Frank's tract project.	2,700	Prop 50	3.0	
- Supports the development of the Frank's tract project.	309	State Water Project Funds	0.0	X

Activity (\$ in thousands)	Amount	Fund Source	Positions	Approve
Watershed Program				
- Reappropriation of \$830,000 in Proposition 50 bond funds that were not expended in the current year due to position vacancies to continue technical assistance related to the Watershed grant program.				X
- Reverts \$3 million Proposition 50 bond funds that have been shifted to the Department of Conservation and were inadvertently left in the Governor's proposed budget.				X
Ecosystem Restoration Program				
- Reappropriation of \$500,000 in Proposition 50 bond funds that were not expended due to position vacancies to continue work on the Calaveras River instream structure and fish passage study.				X
Storage Program				
- Technical correction to eliminate one-time funding inadvertently left in the Governor's proposed budget.	-\$18,996	Prop 50	0.0	X
Total Governor's Budget	\$166,009		175.7	
Total Senate Budget	\$72,692 *		152.4	

*Pending resolution of open items.

3870 California Bay-Delta Authority

Staff Recommendation. The chart below outlines the Governor's proposal to support the CALFED program at the Bay-Delta Authority. Staff recommends that the Subcommittee take action to approve the checked items in the "Approve" column.

Several items are recommended to be left open because additional information is needed regarding the proposed expenditures. Specifically, staff needs additional information on why the Ecosystem Restoration Program expenditures should continue to be implemented by the Authority and not by the Department of Fish and Game (the implementing agency for the Ecosystem Restoration Program element). Staff recommends that the Subcommittee direct the authority to work with staff to provide additional information on the issues marked "Open."

Activity (\$ in thousands)	Amount	Fund Source	Positions	Approve
BASE BUDGET				
Oversight and Coordination				
- Supports Bay-Delta Advisory Committee, environmental justice, tribal relations, public outreach, delta improvements package, regional coordination, performance measure development, long-term finance plan development, and other administrative functions.	\$6,600	General Fund	42.0	X
Ecosystem Restoration Program				
- Supports monitoring of ecosystem restoration projects.	\$166	General Fund	2.0	Open
- Supports contracts for work on various 415 ecosystem restoration projects.	\$5,200	Prop 50	0.0	Open
- Supports staff to monitor and manage the work being done on the ecosystem restoration program contracts.	\$523	Prop 50	5.0	Open
Conveyance Program				
Drinking Water Quality Program				
Environmental Water Account				
Levee Program				
Storage Program				
Watershed Program				
Water Use Efficiency Program				
- Supports staff and contracts to monitor projects in all of the programs listed above.	\$1,200	General Fund	6.0	X
- Supports recipient agreements to implement and monitor the Proposal and Solicitation Process for various projects in the programs listed above.	\$3,900	Prop 50	1.0	Open

Activity (\$ in thousands)	Amount	Fund Source	Positions	Approve
Science Program				
- Supports contracts and positions to support the independent science board and technical panels.	\$13,000	Prop 50	3.0	Open
- Supports contracts to support the independent science board and technical panels.	\$3,000	General Fund	0.0	Open
BUDGET CHANGE PROPOSALS				
Ecosystem Restoration Program				
- Supports various ecosystem restoration projects. These funds were appropriated in 2002-03, but because of delays and cancellations these funds were not expended.	\$5,074	Prop 204	0.0	
Conveyance Program				
- Supports scientific monitoring of the Delta Cross Channel, Through-Delta Facility, Frank's Tract, South Delta Hydrodynamic and Tracy Test Facility investigations.	250	Prop 50	0.0	X
APRIL FINANCE LETTER				
Ecosystem Restoration Program				
- Reappropriation of \$54.7 million in Proposition 50 bond funds to support contracts and grants for ecosystem restoration projects, including the Battlecreek Watershed.				X
Total Governor's Budget	\$38,913		59.0	
Total Senate Budget	\$33,839 *		59.0	

*Pending resolution of open items.

3940 State Water Resources Control Board

Staff Recommendation. The chart below outlines the Governor's proposal to support the CALFED program at the State Water Resources Control Board. Staff recommends that the Subcommittee take action to approve the checked items in the "Approve" column.

Activity (\$ in thousands)	Amount	Fund Source	Positions	Approve
BASE BUDGET				
Watershed Program				
- Supports management of grants awarded by the board in past grant cycles.	\$299	Prop 50	3.0	X
- Supports monitoring of project progress on grants awarded by the board in past grant cycles.	\$82	Prop 13	0.8	X
Water Use Efficiency Program				
- Supports management of water recycling grants awarded by the board in past grant cycles.	\$888	Prop 50	9.1	X
- Supports management of water recycling grants awarded by the board in past grant cycles and the review and awarding of new grants. Also includes technical outreach and assistance to disadvantaged communities.	\$421	Prop 13	4.2	X
- Funds for water recycling grants.	\$6,413	Prop 13	0.0	
Drinking Water Quality Program				
- Supports management of grants awarded by the board in past grant cycles.	\$130	Prop 50	1.3	X
- Supports management of grants awarded by the board in past grant cycles.	\$82	Prop 13	0.8	X
Total Governor's Budget	\$8,315		19.2	
Total Senate Budget	\$1,902		19.2	